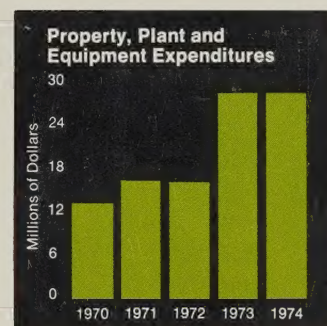
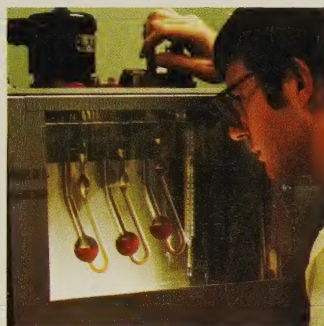
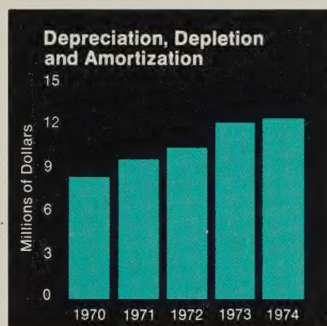
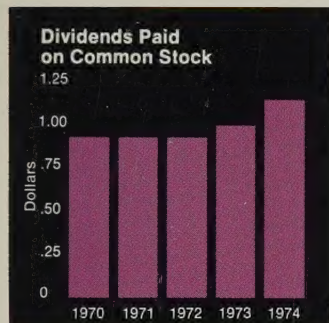
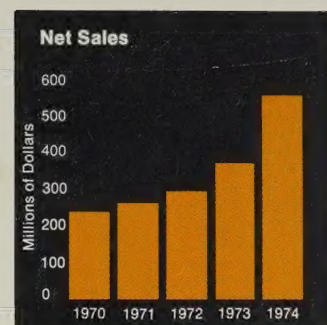
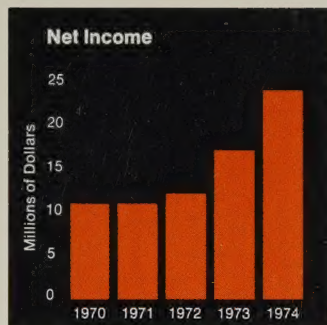
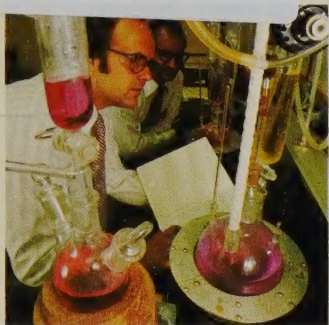




Witco Chemical

Fifty-Fifth Annual Report

1974



**Witco
Chemical**
Fifty-Fifth Annual Report
1974

Witco is a worldwide manufacturer and marketer of a wide range of specialty chemicals and specialty petroleum products for industrial and consumer use. The Company specializes in formulating products to meet customer specifications and applications, and has a skilled technical service and marketing staff to implement its specialty products manufacturing program. Products are manufactured at 41 plants and marketed throughout the world.

Highlights of the Record 1974 Year

Achieved record sales and earnings.

Increased common stock dividend.

Arranged \$18 million revolving credit and term loan.

Arranged financing of \$7.55 million Pennsylvania environmental and industrial revenue bonds.

Extended LIFO method of inventory valuation.

Began construction of polybutylene plant at Taft, La. and opened polymer headquarters and laboratory at Fairfield, N.J.

Started-up sulfonation unit at Houston, Tex. and announced unit for Oakville, Ontario, Canada.

Increased manufacturing capacity for plastics additives at Taft, La. and at Marshall, Tex.

Completed new urethane systems facility at Chicago, Ill.

Announced proposed acquisition of The Waverly Oil Works Company, completed February, 1975.

Started-up plant for electrode binder pitch at Perth Amboy, N.J.

Began construction of a hydrogenation plant at Petrolia, Pa.

Increased expenditures for crude oil development program.

Increased capital expenditures for environmental control.

Notice of Annual Meeting

The annual meeting of shareholders will be held Wednesday, April 23, 1975, at 2 P.M., New York time, at Manufacturers Hanover Trust Company, 350 Park Avenue, New York, New York. The notice of meeting and proxy material will be mailed on or about March 21, 1975. Shareholders unable to attend this meeting are asked to sign and return their proxies promptly.

For a complimentary copy of the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, send a written request to:

Paul Saltzer, Secretary
Witco Chemical Corporation
277 Park Avenue
New York, New York 10017

Executive Offices

277 Park Avenue
New York, New York 10017

Stock Registrar

First National City Bank
111 Wall Street
New York, New York 10015

Stock Transfer Agent

Morgan Guaranty Trust Company
of New York
30 West Broadway
New York, New York 10015

Common Stock symbol—WIT

New York Stock Exchange

Financial Highlights

(Dollars in Thousands, Except Per Share Data)

	1974				For the Years Ended December 31		
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	1974	1973	
Net sales	\$119,936	\$146,995	\$154,831	\$135,030	\$556,792	\$370,703	up 50%
Income before Federal and foreign income taxes and extraordinary credit ..	9,990	14,489	13,012	5,995	43,486	29,327	
Federal and foreign income taxes	4,406	6,680	6,111	2,595	19,792	12,871	
Income before extraordinary credit ...	5,584	7,809	6,901	3,400	23,694	16,456	
Extraordinary credit net of applicable Federal income taxes	—	—	—	—	—	402	
Net income	\$ 5,584	\$ 7,809	\$ 6,901	\$ 3,400	\$ 23,694*	\$ 16,858	up 41%
Per common share:							
Income before extraordinary credit	\$1.05	\$1.48	\$1.29	\$.62	\$4.44	\$3.05	
Extraordinary credit	—	—	—	—	—	.08	
Net income	\$1.05	\$1.48	\$1.29	\$.62	\$4.44*	\$3.13	

*An extension of LIFO method of inventory valuation in 1974 decreased 1974 net income approximately \$7,900,000 or \$1.52 per Common Share.

Depreciation, depletion and amortization	\$ 12,431	\$ 12,047
Property, plant and equipment expenditures	\$ 27,625	\$ 27,797
Number of Shareholders	6,768	6,630
Number of Employees	5,183	5,005

	Dividends Paid				Market Price Range							
	Common		Preferred		Common				Preferred			
	1974	1973	1974	1973	1974		1973		1974		1973	
					High	Low	High	Low	High	Low	High	Low
First Quarter	\$.26	\$.245	\$.6625	\$.6625	\$19 ⁷ / ₈	\$17	\$24 ³ / ₄	\$20 ⁵ / ₈	\$49 ⁷ / ₈	\$42	\$60	\$52
Second Quarter	.26	.245	.6625	.6625	28	18	21 ³ / ₄	16 ⁷ / ₈	68	46	52 ³ / ₄	42 ³ / ₈
Third Quarter	.30	.245	.6625	.6625	29	20 ¹ / ₄	20 ¹ / ₂	16 ¹ / ₄	70	57	50	41 ³ / ₄
Fourth Quarter	.30	.245	.6625	.6625	24 ³ / ₈	16 ¹ / ₂	23 ¹ / ₄	14 ³ / ₄	54 ¹ / ₂	41 ¹ / ₂	57	40
Year	<u>\$1.12</u>	<u>\$.98</u>	<u>\$2.65</u>	<u>\$2.65</u>	<u>\$29</u>	<u>\$16¹/₂</u>	<u>\$24³/₄</u>	<u>\$14³/₄</u>	<u>\$70</u>	<u>\$41¹/₂</u>	<u>\$60</u>	<u>\$40</u>

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William Wishnick
Chairman, President and
Chief Executive Officer

To The Shareholders:

We are pleased to report that for the third consecutive year the Company set records for both earnings and sales. Net income rose to \$23.7 million, equivalent to \$4.44 per share, an increase of 41% over the previous record achieved in 1973. Sales topped the half billion mark for the first time in the Company's history, increasing 50% to a record \$556.8 million. The Petroleum Group and the Chemicals Group both contributed to these records.

During the year, the Company extended its use of the LIFO (Last-In, First-Out) method of inventory valuation for domestic inventories, which provides a more realistic matching of current costs to current revenues. The effect of this change was to decrease 1974 net income by \$7.9 million, equivalent to \$1.52 per common share.

Dividend on Common Stock Increased

Dividends paid on the Common Stock in 1974 were \$1.12 per share compared with 98¢ per share in 1973. At the June, 1974 meeting, the Board of Directors voted to increase the quarterly dividend from 26¢ to 30¢ per share, equivalent to an annual rate of \$1.20 per share. Since 1958, when the Company became publicly owned, dividends paid increased every year except for the years 1970-1972.

Year of Challenge

1974 was a year of considerable challenge as we faced rising costs for raw materials, energy and other operating costs in almost all segments of our worldwide business.

Although total unit volume increased almost 10%, higher selling prices accounted for a major portion of the dollar increase in record sales. Introduction of new Witco products, improved product mix and better plant operating efficiencies were some of the factors that contributed to our record earnings.

Raw material shortages and product allocations were prevalent throughout the first three quarters of the year. The general economic slowdown in many of the industries we serve changed this pattern in the fourth quarter. During most of the year it was possible to pass on many of the higher costs incurred, but this may prove more difficult in the year ahead. Your management is devoting considerable time and effort to maintain profit margins under conditions of economic slowdown and continuing increases in operating costs.

Crude Oil Supplies Increased

Witco took positive steps in 1974 to assure future supplies of crude oil for use in the refining of its Kendall® and Amalie® brands of motor oils and specialty petroleum products. The acquisition in February, 1975 of The Waverly Oil Works Company provides the Company with increased crude oil reserves for its refinery at Bradford, Pa. Waverly is engaged in oil and gas production primarily in Pennsylvania, Ohio and West Virginia, where it operates leases totaling approximately 35,000 acres. In addition, your Company continued its crude oil development program in Ohio and Pennsylvania.

Polybutylene Plant Nears Completion

During the first quarter of 1975, your Company will complete construction of its 50-million-pound annual capacity polybutylene plant at Taft, La. This will be the only commercial scale manufacturing plant in the world for polybutylene, a specialty plastic with unique properties for the manufacture of pipe, film and other products. This plant is scheduled for start-up operations late in the first quarter and commercial shipments to customers are anticipated in the second quarter of 1975. Full staffing has taken place at the manufacturing unit at Taft and the technical service center at Fairfield, N.J. Primarily because of high unit costs associated with a limited scale pilot plant manufacturing facility and testing, development and other related costs, Witco incurred in connection with these activities an after-tax loss of approximately \$1.2 million in 1974. With continued pilot plant operations and high start-up expenses, losses will continue in early 1975 until commercial production and shipments reach the break-even point, hopefully sometime this year.

Additional Funds Available

To strengthen our financial position, arrangements were made during the year with six major banks in the United States for an \$18 million revolving credit and term loan. These funds will be used primarily for capital expansion. In addition, the Company borrowed \$7.5 million to be used for certain air and water pollution control facilities at its Pennsylvania plants. The Company also drew down the balance of \$4.8 million from its 1973 private placement borrowing.

Capital Expenditures

Approximately \$27.6 million was spent on capital investment programs in the United States and abroad in 1974, slightly below the \$27.8 million spent in 1973. At present, the majority of our capital funds is being spent to modernize and increase capacities at existing facilities or on projects that are already under way.

Research and Development

In 1974, \$7.4 million was spent on research and development of new products and services and improvement of existing products and services, compared with \$5.9 million in 1973. At December 31, 1974, approximately 275 professional employees were engaged in these activities.

Among the new products being introduced are surfactants, urethanes, plastics additives, petroleum pitch and polybutylene formulations.

Advertising

The Company spent about \$5.0 million to advertise its products and services in television, magazines and other advertising media, compared with \$3.7 million in 1973. During 1974, the Company extended its distribution of Kendall and Amalie motor oils. Network and local television and radio advertising was used to increase consumer awareness of the two brands and to reinforce the Company's marketing program for these products.

Social Awareness

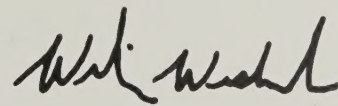
As part of its capital investment programs, the Company spent approximately \$3.0 million at various plant locations here and abroad in its continuing program to improve safety and the environment compared with approximately \$2.3 million in 1973. Environmental projects were completed at Taft, La.; Paterson, N.J.; and Marshall and Houston, Tex. Major capital expenditures were also made at the Company's Petrolia, Pa. plant as part of a three-year program.

The Outlook

There is no question that 1975 may be a difficult year for our country because of the decline in economic activity throughout the world. This may have a temporary adverse effect on Witco, but it also presents many opportunities. Money rates are coming down and raw materials to manufacture some of the new products developed in 1974 are now more available. We shall continue to selectively emphasize profitable products and we are confident that, as new Witco products are introduced, they will find their place in the market. The introduction of these new product formulations and applications in 1975 will provide our customers with opportunities to improve the profitability of their own businesses.

We enter 1975 with dedicated and knowledgeable people, the products, the plants and the perseverance to weather any storm. As we've said before, it is the people of Witco who have been responsible for our growth, and our 55 years of experience has taught us that nothing replaces hard work and integrity. We are confident that these capabilities will successfully carry us through the challenging years ahead.

We wish to express our appreciation to our employees, Directors, customers, suppliers and shareholders for their continued interest and support of the Company.



William Wishnick
Chairman, President and
Chief Executive Officer

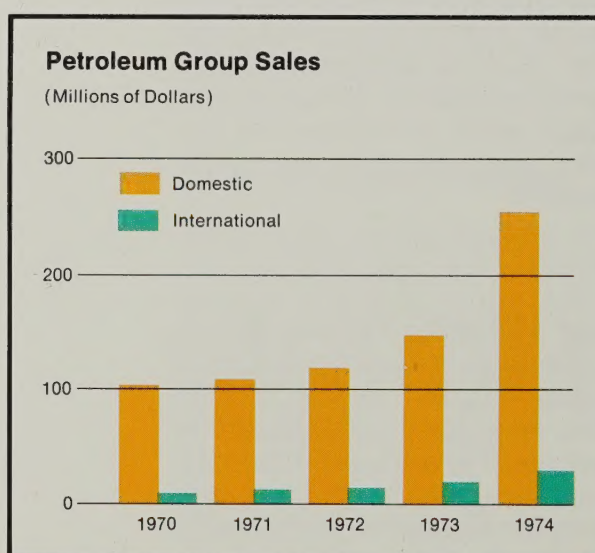
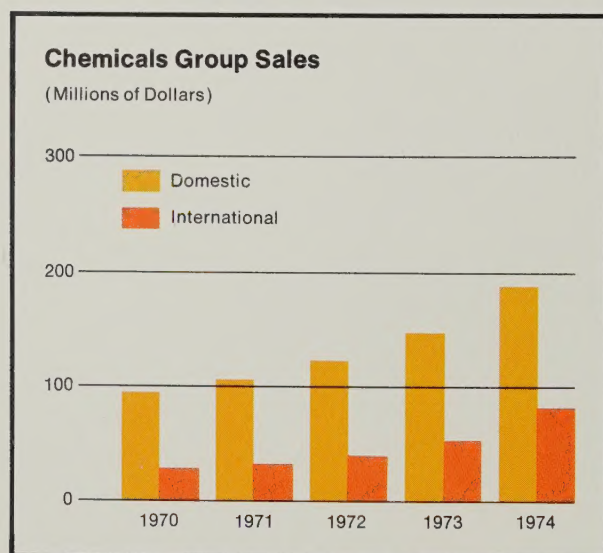
Sales and Earnings by Product Categories

Years ended December 31 (Dollars in Thousands)

	1974		1973		1972		1971		1970	
Net Sales										
DOMESTIC:										
Petroleum Group:										
Petroleum products	\$203,937	37%	\$120,223	32%	\$ 94,542	32%	\$ 88,089	34%	\$ 85,383	36%
Asphalt and coal tar products .	43,662	8	22,444	6	19,766	7	17,665	7	15,323	6
Miscellaneous	6,365	1	5,948	2	4,323	1	4,055	1	3,548	2
	253,964	46	148,615	40	118,631	40	109,809	42	104,254	44
Chemicals Group:										
Chemical products	129,299	23	95,898	26	70,267	24	57,977	22	54,661	23
Detergent products	40,411	7	27,740	7	26,507	9	24,778	10	19,956	9
Carbon black (a)	18,396	4	22,871	6	22,245	8	21,787	8	18,998	8
Miscellaneous	1,830	—	2,885	1	3,061	1	2,394	1	2,857	1
	189,936	34	149,394	40	122,080	42	106,936	41	96,472	41
INTERNATIONAL:										
Petroleum Group	30,330	5	19,777	6	13,568	5	11,290	5	9,129	4
Chemicals Group	82,562	15	52,917	14	39,238	13	31,042	12	27,364	11
	112,892	20	72,694	20	52,806	18	42,332	17	36,493	15
TOTAL	\$556,792	100%	\$370,703	100%	\$293,517	100%	\$259,077	100%	\$237,219	100%
Income Before Income Taxes and Extraordinary Items										
DOMESTIC:										
Petroleum Group	\$ 20,803	48%	\$ 15,545	53%	\$ 10,901	49%	\$ 8,927	50%	\$ 11,566	64%
Chemicals Group (a)	10,641	25	8,036	27	6,540	29	5,014	28	4,304	24
INTERNATIONAL	15,361	35	8,177	28	5,610	25	3,951	22	3,210	18
EQUITY IN EARNINGS OF ASSOCIATED COMPANIES ...	1,487	3	869	3	1,153	5	999	5	689	4
UNALLOCATED INCOME (EXPENSE)—NET (b)	(4,806)	(11)	(3,300)	(11)	(1,920)	(8)	(955)	(5)	(1,692)	(10)
TOTAL	\$ 43,486	100%	\$ 29,327	100%	\$ 22,284	100%	\$ 17,936	100%	\$ 18,077	100%

(a) The agreement for distribution of carbon black, manufactured by an associated company and resold by Witco, was terminated as of August 1, 1974. Such product contributed a lower profit margin than that contributed by manufactured products.

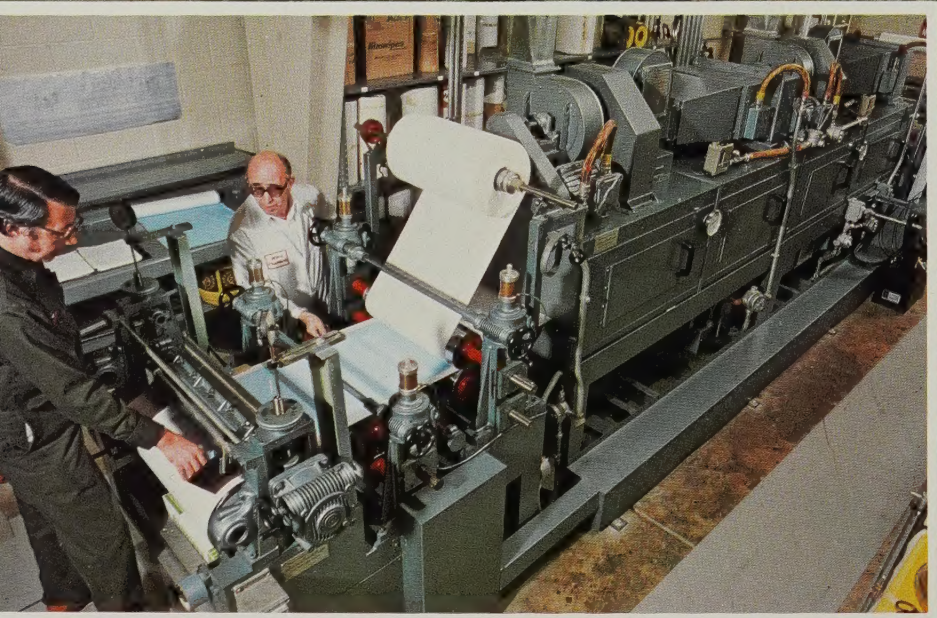
(b) Unallocated income (expense) includes miscellaneous income and expenses not attributable to operations, the unabsorbed portion of corporate administrative expenses, provisions or reversals of provisions for losses on investments, as well as all interest income and interest expense.



(Top) 50-million-pound annual capacity polybutylene plant at Taft, La., the only commercial plant in the world manufacturing this specialty plastic, a major new product line for Witco.

(Bottom) New plant for manufacturing electrode binder pitch from petroleum at Perth Amboy, N.J. Petroleum by-product, as a raw material for binder pitch, increases the Company's flexibility and strengthens its position as a manufacturer of this important product for the aluminum industry.







William E. Leistner
Senior Executive Vice President
Chemicals Group

Chemicals Group

Aerial view of specialty chemicals manufacturing plant in Houston, Tex. where sulfonation, surfactant and urethane facilities were expanded to meet increased demand for these products.

(Left) Expansion of Urethane and Plastics Laboratory at Chicago Clearing plant included new equipment for evaluating urethane coatings and adhesives.

(Right) New research and development laboratory in Houston.

Witco's Chemicals Group manufactures and markets a broad range of specialty chemicals used in practically every major industry. Witco is an important factor in stearates, chemicals for urethanes, stabilizers, surfactants, epoxy plasticizers, sulfur-derived chemicals, organic peroxides and private label household detergents. Upon completion of its new plant, it will be the only commercial scale manufacturer and marketer in the world of polybutylene, a new specialty plastic.

Record chemical sales were achieved in 1974 despite chronic shortages in some raw materials. Total sales of the Chemicals Group, including its overseas operations, increased 35% to \$272 million.

Polybutylene

The 50-million-pound-per-year polybutylene plant at Taft, La. is scheduled for completion in the first quarter of 1975. Interest remains high in this new product for film and pipe markets. Continuing product development at the new technical service laboratory, completed during 1974 at Fairfield, N.J., indicates new applications for polybutylene, which will be marketed under the trademark Witron®. In anticipation of commercial production in 1975, the Company is continuing to supply polybutylene from a semi-works unit.

Plastics Additives

The Company continues to be a leading supplier of additives for the plastics industry. Sales of stabilizers, epoxy plasticizers, metallic stearates, organic peroxides and sulfur-derived chemicals were at record levels. Manufacturing capacity for plastics additives was increased at Taft, La. and Marshall, Tex.

Urethane Chemicals

Demand for urethane chemicals was strong. Because of shortages of certain raw materials, however, many customers' orders had to be met on an allocated basis. A new urethane systems plant was completed at Chicago and new manufacturing facilities for urethanes were added at Houston, Tex. and in England. The urethane research and development

laboratory was expanded at Chicago. Marketing of urethanes was started in Israel.

Surfactants

Strong demand for surfactants, especially for use in oil field drilling and agricultural pesticides, resulted in record sales. Demand for certain inorganic sulfur compounds for use in the manufacture of pesticides was greater than the Company's ability to supply these products. New units for manufacturing specialty surfactants went on stream at Chicago (Clearing), Houston, Tex. and Perth Amboy, N.J. These surfactant plant additions were partially due to the closing of the Company's Kilbourn plant at Chicago. Surfactant research and development activities have been transferred to the new laboratory in Houston.

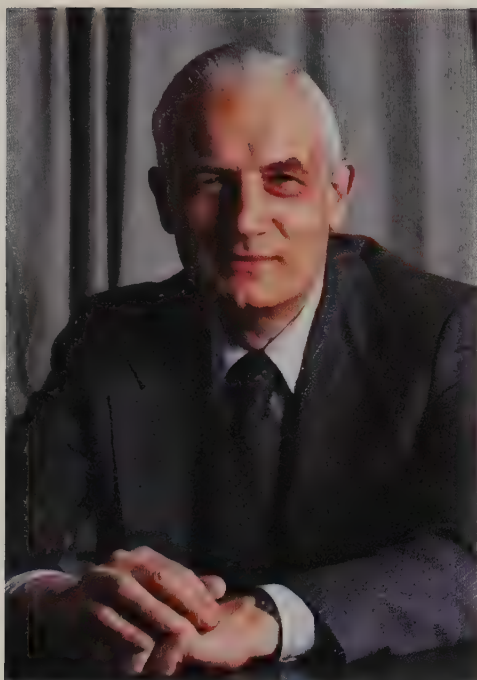
Detergents

There was increased worldwide demand for detergents in 1974 and Witco continued to share in this growth. The Company manufactures detergent chemicals, industrial detergents and consumer detergents in the United States, Canada, France, Israel and Belgium. A 20-million-pound sulfonation unit for making detergent chemicals and surfactants went on stream at Houston, Tex. and detergent manufacturing capacity was increased in France, Belgium and Israel. Construction of a 20-million-pound sulfonation unit was started at Oakville, Ontario, Canada with completion anticipated in 1976, and a new unit at Carson, Cal. for manufacturing dodecyl benzene, a detergent chemical, is expected to be completed by mid-1975. During 1974, Witco began test marketing its own laundry detergent, Active®.

Other Specialty Chemicals

The Kenite® diatomaceous earth plant and the activated carbon plant operated at capacity levels. Sales were the highest in their history. These products are used as filtration media for liquids and gases. Specialty applications for activated carbon included industrial respirators and air purification in nuclear submarines.





Henry Sonneborn III
Executive Vice President
Petroleum Group

Petroleum Group

Witco's Petroleum Group is one of the leading suppliers of white oils, petroleum sulfonates and petrolatums; one of the three primary suppliers of Pennsylvania lubricating oil; a supplier and packager of private label motor oils on the West Coast; an important supplier of electrode binder pitch for the aluminum industry; and a supplier of a wide variety of other specialty petroleum products for commerce and industry.

The year 1974 was a challenging one in the wake of the oil embargo and the subsequent large increases in the price of crude oil. As a consequence, the prices of Witco's petroleum products had to be raised correspondingly. Principally because of these price rises, dollar sales grew very rapidly. Lubricating oil manufacture was a strong contributor to sales and earnings. Total domestic and international sales of the Petroleum Group climbed 69% to \$284 million.

Specialty Petroleum Products

White oils, petrolatums, petroleum sulfonates and waxes are produced at three plants in the United States and three in the Netherlands. Demand continued to be very strong for these products during almost all of 1974. Despite raw material shortages, production of synthetic petroleum sulfonates was significantly increased.

Construction of a 2,500-barrel-per-day hydrogenation plant at Petrolia, Pa. was begun in 1974 and is scheduled for completion in early 1976. This plant will increase capacity and improve processing of white oils and petrolatums.

Construction of a pilot plant has been authorized for the production of petroleum sulfonates for use in a new experimental method of tertiary recovery of crude oil. Sulfonates facilitate the removal of the very significant portion of crude oil that remains trapped underground after primary and conventional secondary recovery methods have been exhausted. Witco is one of the foremost suppliers of sulfonates, and its products have been used in many tertiary recovery test projects in this country.

Industrial asphalt specialties are produced at three locations. Raw material shortages and increased prices persisted throughout the year. Despite these obstacles and a general

slowdown in new housing starts, sales of asphalt specialties increased.

Coal tar products, principally electrode binder pitch and creosote, are produced at Point Comfort, Tex. Shipments of these products increased despite the industry-wide shortage of coal tar. A continuing shortage of coal tar feedstock has led to the development of pitch derived from petroleum by-products, which are more readily available. A new plant which produces binder pitch from such petroleum by-products was brought on stream.

Crude Oil Production, Refining and Marketing

These activities include crude oil production in Pennsylvania and in Ohio; refining in Pennsylvania and in California; packaging at six locations in the United States and Canada; and marketing in the Western Hemisphere and in Europe.

Gallons sold of the Company's Kendall and Amalie branded motor oils and lubricants increased approximately 6% over 1973, and Witco expanded its marketing and advertising program significantly for these products.

In order to provide an adequate supply of Pennsylvania Grade crude oil for Kendall and Amalie refining, the Company drilled 98 wells, of which 78 were completed by year-end. As part of its crude oil development program, the Company increased its support and participation in a number of wells drilled by independent producers. Moreover, arrangements were made to acquire The Waverly Oil Works Company in February, 1975. As a result of these activities, Witco's long-term Pennsylvania Grade crude oil position has improved and the current availability is ample. At present, the Company's own net production provides about 50% of the crude oil processed at its refinery at Bradford, Pa.

The Oildale, Cal. refinery purchases all of its crude oil requirements. The products of this refinery, consisting of automotive and industrial lubricants, process oils, asphalts and various specialties, showed significant growth throughout the year.

The crude oil refining unit at Hammond, Ind. was reactivated for several months as a result of the energy crisis.

Rotary rig drilling for Pennsylvania Grade crude oil, part of Witco's expanded crude oil production program.

(Left) Refinery for specialty petroleum products at Oildale, Cal.

(Right) Kendall and Amalie motor oils, produced at Witco's refinery at Bradford, Pa., meet the demands of today's motoring public for lubricants of high quality, superior performance and proven dependability.

Management's Discussion and Analysis of the Consolidated Statements of Income

The year 1974 financial results for Witco were substantially affected by the accelerated and progressively higher inflation rate that began several years ago. Additionally, the world-wide energy and raw material uncertainties and other economic factors that have become generally recognized since 1971 continued to have an impact on the Company's activities throughout the 1974 year. These factors have affected in recent years each of our operating groups and their relative contributions to our earnings results. In the following paragraphs, we discuss certain items of income and expense reflected in Witco's Consolidated Statements of Income.

Net Sales; Cost of Goods Sold; Selling and Administrative Expenses; and Depreciation, Depletion and Amortization

Net sales and these associated operating costs increased during each of the two years ended December 31, 1974, as follows:

	Percentage Increase	
	Net Sales	Operating Costs
Year 1973 over Year 1972	26%	25%
Year 1974 over Year 1973	50	50

The accelerating increases in both sales and operating costs reflect the rate of inflation during these periods. Higher selling prices represented a significant portion of the sales dollar increases, particularly in 1974. However, unit volume increases, including the contribution from acquisitions and additional facilities, occurred for most products in each year. A refining unit, previously abandoned, was temporarily reactivated in 1974 due to energy demands in the Midwest and contributed to our increased sales in 1974. Due to termination of our agreement for the distribution of carbon black as of August 1, 1974, no further sales of this product are reported for Witco after that date. Certain products included in the Chemicals Group reflected unit volume declines in 1974 due to interruptions of raw material supply and a lower level of business activity in certain industries. Because of generally higher prices and increased volume of production, operating costs increased. Operating profit margins improved as a result of a more favorable product mix and lower unit costs on increased volume.

Witco's change to the LIFO method of accounting for those domestic inventories not previously on that method resulted in a higher charge to Cost of Goods Sold during 1974 than would have occurred with the former FIFO method. The LIFO method results in a better matching of current costs with current revenues.

Witco's research and development costs increased each year principally because of higher personnel costs

as well as expansion of these activities. These costs are included in Cost of Goods Sold. Advertising expenses (included in Selling and Administrative Expenses) are principally related to and increased due to more extensive sales promotion of Kendall and Amalie brands. This line of products grew in unit sales volume about 6% in 1974 and 13% in 1973.

Equity in Earnings of Associated Companies

Equity in earnings of associated companies include one domestic and several foreign companies with ownership interest ranging to approximately 50%. Dollar variations in this caption relate to the relative contribution of each company. Earnings of these associated companies were affected by inflation, the energy crisis, currency exchange adjustments and start-up costs of new facilities.

Interest and Miscellaneous Income—Net

Interest and miscellaneous income increased in each year principally due to higher earnings of temporarily invested surplus funds.

Interest Expense

Interest expense increased in each year due to new long-term borrowings. Funds so obtained are being principally used for capital expenditures. Interest expense also increased due to short term borrowings for increased working capital.

Federal and Foreign Income Taxes

Primarily because of higher earnings in each year, U.S. and foreign income taxes increased.

During the fourth quarter of 1974, there was a relatively sharp drop in the general level of business activity as compared to the first three quarters of the year. This decline affected the U.S. and most of the other countries in which Witco conducts its business. Despite this business decline, dollar sales were higher in the last quarter of 1974 than in the same quarter of 1973. Unit volume reductions occurred in all product categories during the fourth quarter, except detergent products, which held the Company's unit volume sales increase for the year 1974 to less than 10%. Earnings in the fourth quarter were adversely affected by higher costs for materials and services and fixed costs on lower unit volume sales, resulting in a decrease in net income of 19% as compared to the fourth quarter of 1973.

Over the longer term, we believe that our operating and financial abilities will continue to reflect Witco's capability to adapt to an ever-changing business climate.

Consolidated Statements of Income

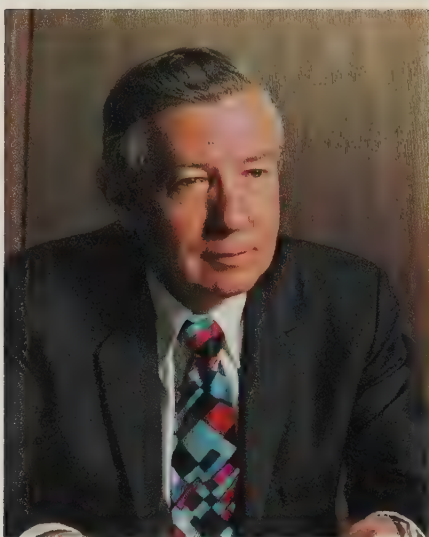
Witco Chemical Corporation and Subsidiary Companies

	For the Years Ended December 31	
	1974	1973
NET SALES AND OTHER INCOME:		
Net sales	\$556,792,000	\$370,703,000
Equity in earnings of associated companies	1,487,000	869,000
Interest and miscellaneous	3,478,000	2,485,000
	<u>561,757,000</u>	<u>374,057,000</u>
COSTS AND EXPENSES:		
Cost of goods sold	453,039,000	290,295,000
Selling and administrative expenses	46,464,000	38,079,000
Depreciation, depletion and amortization	12,431,000	12,047,000
Interest	6,337,000	4,309,000
	<u>518,271,000</u>	<u>344,730,000</u>
INCOME BEFORE FEDERAL AND FOREIGN INCOME TAXES AND EXTRAORDINARY CREDIT	43,486,000	29,327,000
FEDERAL AND FOREIGN INCOME TAXES	<u>19,792,000</u>	<u>12,871,000</u>
INCOME BEFORE EXTRAORDINARY CREDIT	23,694,000	16,456,000
EXTRAORDINARY CREDIT:		
Applicable to plant disposition, less Federal income taxes of \$396,000	<u>—</u>	<u>402,000</u>
NET INCOME	<u>\$ 23,694,000</u>	<u>\$ 16,858,000</u>
PER COMMON SHARE:		
Income before extraordinary credit	\$4.44	\$3.05
Extraordinary credit	<u>—</u>	<u>.08</u>
Net income	<u>\$4.44</u>	<u>\$3.13</u>
PER COMMON SHARE—ASSUMING FULL DILUTION:		
Income before extraordinary credit	\$3.95	\$2.75
Extraordinary credit	<u>—</u>	<u>.07</u>
Net income	<u>\$3.95</u>	<u>\$2.82</u>

The Financial Review and the Summary of Significant Accounting Policies on pages 12 through 18 should be read in conjunction with the financial statements.



**Robert I. Wishnick, Founder
Chairman, Executive Committee**



**William J. Ashe
Executive Vice President
Finance and Administration,
Treasurer,
Chairman, Finance Committee**

Financial Review

Net sales set a new record of \$556,792,000, an increase of 50% over the 1973 record of \$370,703,000.

Net income in 1974 was a record \$23,694,000 (\$4.44 per common share) an increase of 41% over the 1973 net income of \$16,858,000 (\$3.13 per common share).

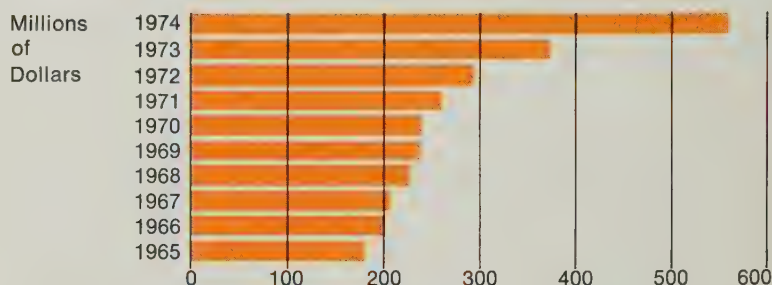
The Company in 1974 adopted the LIFO (Last-In, First-Out) method of inventory valuation for substantially all of its domestic operations not previously on LIFO. The effect of this change, for the year ended December 31, 1974, was to decrease net income for 1974 by approximately \$7,900,000 or \$1.52 per common share.

The Company previously used both LIFO and FIFO (First-In, First-Out) valuation methods for its domestic inventories. This change provides a more realistic matching of current costs with current revenues. There is no cumulative effect of the change on years prior to 1974.

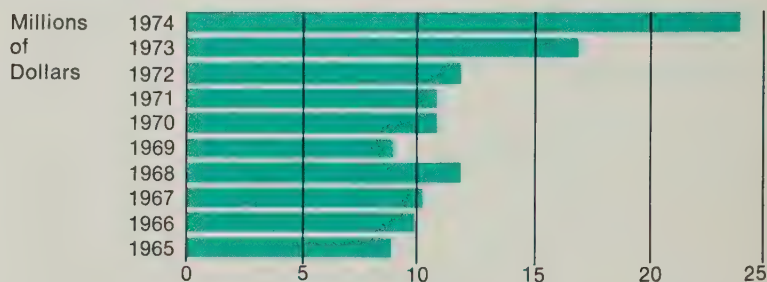
Net income in 1973 included an extraordinary credit of \$402,000 (\$.08 per common share) attributable to the Company's decision not to dispose of a plant (charged off in 1972) because of new developments during 1973.

Working capital at December 31, 1974 amounted to \$74,406,000, an increase of \$9,548,000 from the 1973 year-end amount of \$64,858,000. At December 31, 1974, the ratio of current assets to current liabilities was 1.93 to 1.

Net Sales



Net Income



Pension Plans

Pension costs expensed under formal pension plans maintained by the Company amounted to \$2,132,000 (1974) and \$1,925,000 (1973). As at December 31, 1974, the unfunded liability under these plans approximated \$1,900,000. The Company is not presently able to evaluate the effects of the Pension Reform Act of 1974 on future pension costs.

Federal and Foreign Income Taxes

Provisions for income taxes were as follows:

	1974	1973
Income taxes currently payable.	\$15,930,000	\$11,005,000
Tax effects of timing differences	3,862,000	1,866,000
Total	<u>\$19,792,000</u>	<u>\$12,871,000</u>

The provisions for 1974 and 1973 were 45.5% and 43.9%, respectively, of income before income taxes.

The difference between these rates and the 48% U.S. income tax rate is attributable to the following factors:

	1974	1973
Effective rate per statement of income ..	45.5%	43.9%
Equity in earnings of associated companies	1.2	1.3
Investment tax credits	0.9	1.1
Percentage depletion allowed for tax purposes in excess of cost depletion ..	1.0	0.7
Foreign tax rates—net	(1.6)	0.1
All other—net	1.0	0.9
U.S. income tax rate	<u>48.0%</u>	<u>48.0%</u>

The caption "Equity in earnings of associated companies" is net of income taxes payable directly by such companies. Only the additional income taxes payable by the Company on these earnings are included in the Company's provision for income taxes.

"All other—net" includes such items as tax-exempt interest income and other permanent differences between book and taxable income.

"Tax effects of timing differences" result principally from the use of different depreciation methods for book and tax purposes.

Inventories

Inventories are classified as follows:

	1974	1973
Raw materials and supplies	\$35,130,000	\$24,453,000
Finished goods (including work in process, which is not significant)	32,714,000	22,941,000
	<u>\$67,844,000</u>	<u>\$47,394,000</u>

If the FIFO method of inventory accounting had been used by the Company for all of its inventories, inventories would have been \$33,041,000 and \$6,881,000 higher than reported at December 31, 1974 and December 31, 1973, respectively.

Foreign Operations

The consolidated balance sheets include the following amounts applicable to the foreign subsidiaries:

	1974	1973
Current assets	\$40,598,000	\$25,611,000
Current liabilities	26,034,000	17,713,000
Other assets—net	17,301,000	15,636,000

Net income of foreign subsidiaries and the Company's equity in earnings of foreign associated companies aggregated \$7,374,000 (1974) and \$4,294,000 (1973).

Federal income taxes have not been provided on accumulated unremitted earnings, approximating \$20,000,000 at December 31, 1974, of foreign subsidiaries which have been or are intended to be permanently reinvested in these companies. Federal income taxes which would be payable if such earnings were distributed (based on current tax rates, reduced by foreign credits) are not material.

Foreign operations, including those of associated companies, are subject to certain risks inherent in carrying on business abroad, including currency devaluations and controls, export and import restrictions, economic controls, nationalization and expropriation. The likelihood of such occurrences vary from country to country and are not predictable. In addition, recent worldwide inflationary factors, energy and raw material shortages experienced in certain countries may adversely affect, directly or indirectly, the operations of the Company.

Investment in Argentine Company

The Company has a minority interest in Petroquímica Argentina, S.A. (PASA) of \$2,430,000 (1974) and

\$2,552,000 (1973). PASA has made borrowings subject to guarantees by the Company and certain of PASA's other sponsors. The Company's contingent liability for such guarantees approximates \$2,900,000 as at December 31, 1974. Certain economic and other controls instituted in 1973 and 1974 have adversely affected the profitability of PASA. It is the opinion of the Company's management that there is no impairment in the PASA investment at this time; however, the Company cannot predict the effect in the future of the factors described in this section and those contained in the immediately preceding paragraph as they relate to this investment.

Under a program of Argentinizing foreign investment requiring at least 80% local ownership, certain of the United States owners of PASA have had discussions, from time to time, concerning the possible disposition of their equity interests. To date, no definitive agreement has been concluded nor have governmental approvals, if required, been obtained.

Property, Plant and Equipment

Capital expenditures in 1974 totaled \$27,625,000. Capital expenditures in 1973 totaled \$27,797,000, including \$3,901,000 applicable to businesses purchased.

A summary of property, plant and equipment follows:

	1974	1973
Land	\$ 6,507,000	\$ 6,510,000
Mineral rights leaseholds ...	12,323,000	11,631,000
Intangible development costs	7,742,000	6,564,000
Building and building improvements	36,116,000	33,159,000
Machinery, fixtures and equipment	139,260,000	126,329,000
Leasehold improvements and related equipment	578,000	405,000
Assets under construction ..	16,332,000	9,748,000
Construction Funds held by Trustee	6,367,000	—
	<u>225,225,000</u>	<u>194,346,000</u>
Less: Accumulated depreciation, depletion and amortization	<u>105,939,000</u>	<u>96,319,000</u>
	<u>\$119,286,000</u>	<u>\$ 98,027,000</u>

Early in 1974, the Company borrowed a total of \$7,550,000 through an industrial development authority, with the net proceeds committed to be used solely for construction of environmental control and certain other facilities over the subsequent three-year period. Should

the proceeds be insufficient to pay the full cost of such facilities, the Company is committed to complete the facilities.

At December 31, 1974, the estimated costs to complete projects in process and other projects currently authorized but not yet started, including the industrial development authority facilities, amounted to \$30,000,000. Due to the current decline in general business activity and the inflationary level of construction costs, certain of these authorized projects have been, and others may be, delayed for reevaluation of the project economics.

Lease Commitments

The Company's rental expenses were \$3,784,000 (1974) and \$3,474,000 (1973), excluding mineral lease rentals.

As at December 31, 1974, minimum rental commitments under noncancelable leases amount to:

	Total	Real Estate	Equipment
For the year:			
1975	\$2,631,000	\$1,046,000	\$1,585,000
1976	2,255,000	1,006,000	1,249,000
1977	1,657,000	865,000	792,000
1978	1,270,000	841,000	429,000
1979	1,133,000	826,000	307,000
For the entire period of:			
1980-1984	3,882,000	3,018,000	864,000
1985-1989	194,000	23,000	171,000
1990-1994	35,000	35,000	—
1995-expiration of leases	168,000	168,000	—

Notes and Loans Payable

As at December 31, 1974, Witco had understandings with six banks for unsecured domestic lines of credit aggregating \$45,000,000 (including \$18,000,000 under the revolving and term loan agreement—see Long-term Debt). These banks have informally discussed and requested that Witco maintain average compensating balances of 10% on the full credit line and an additional 10% on the borrowings outstanding under the lines; however, the Company has no balances that are legally restricted. Additionally, Witco has arrangements with various banks for unsecured foreign lines of credit aggregating \$13,000,000. Average outstanding daily borrowings under the domestic and foreign credit lines were \$8,600,000 (at a weighted average annual interest rate of 12.78%, which was based upon daily outstanding borrowings and actual interest paid during the period). The maximum amount

outstanding at any month-end was \$15,200,000. At December 31, 1974, such outstanding borrowings amounted to \$8,717,000 at an average annual interest rate of 12.44%.

Long-term Debt

Following is a summary of long-term debt:

	1974	1973
8 ¹ / ₈ % Notes due 1993	\$15,000,000	\$10,200,000
7.45% Debentures due 1997 ...	25,000,000	25,000,000
5% Sinking Fund Debentures due 1980	1,521,000	1,970,000
4.65% Notes due 1984	8,450,000	9,100,000
2% to 7 ¹ / ₂ % Mortgage Notes ...	2,478,000	2,966,000
4 ¹ / ₂ % Convertible Subordinated Debentures due 1993	15,000,000	15,000,000
6 ¹ / ₄ % Environmental Improvement Revenue Bonds, Series A of 1974	6,550,000	—
6 ¹ / ₄ % Industrial Revenue Bonds, 1974 Series	1,000,000	—
Other	1,446,000	2,279,000
	<u>76,445,000</u>	<u>66,515,000</u>
Less: Amount included in current liabilities	1,776,000	2,818,000
	<u>\$74,669,000</u>	<u>\$63,697,000</u>

The 8¹/₈% Notes are payable in annual installments of \$1,000,000 commencing September 1979.

The 7.45% Debentures provide for annual sinking fund payments of \$1,250,000 commencing October 1978.

The 5% Sinking Fund Debentures provide for sinking fund payments of \$375,000 annually. Debentures purchased by Witco will be applied to the sinking fund requirements. The profit on such purchases has not been material.

The 4.65% Notes are payable in annual installments of \$650,000, with final payment of \$2,600,000 in 1984.

The 2% to 7¹/₂% Mortgage Notes are collateralized by property and plant (net) of \$5,600,000 as at December 31, 1974.

The 4¹/₂% Convertible Subordinated Debentures are convertible into shares of Witco's Common Stock at \$50 per share and provide for annual sinking fund payments, beginning in 1979, of 5% of the aggregate principal amount of the debentures outstanding on December 15, 1978.

The 6¹/₄% Environmental Improvement Revenue Bonds, Series A of 1974 provide for annual sinking fund

payments in amounts ranging from \$220,000 to \$690,000, commencing January 1990 with a final payment of \$735,000 in 2004. The 6¹/₄% Industrial Revenue Bonds, 1974 Series provide for annual sinking fund payments of \$100,000 commencing January 1990. The proceeds of each bond issue are held in escrow and may be used only for the purposes of each issue.

Witco entered into a revolving credit and term loan agreement during 1974 with certain banks which provides for borrowings up to \$18,000,000 to October 31, 1976 and amortization of such borrowings over five years from that date. Interest under this agreement will be at maximum rates of ¹/₂% over the prime rates of the participating banks. As at December 31, 1974, no borrowings had been made under the agreement.

As at December 31, 1974, principal payments on consolidated long-term debt required through 1979 amount to:

\$1,776,000 (1975), \$2,364,000 (1976), \$1,472,000 (1977), \$2,455,000 (1978) and \$4,204,000 (1979).

The agreements covering certain borrowings include, among other matters, restrictions on the payment of cash dividends and the acquisition of the Company's stock. Consolidated Retained Earnings available for such purposes amounted to approximately \$45,000,000 as at December 31, 1974.

Acquisitions

The Company in 1974 acquired an additional interest in an associated English company which was formerly accounted for on the equity method and is now accounted for as a consolidated subsidiary. The amounts included in consolidation for the company are not material.

During 1974, the Company agreed to acquire a company whose principal activity is the production of Penn Grade crude oil. The transaction is currently scheduled for consummation on February 28, 1975, at which time Witco will issue 150,195 shares of its Common Stock for the company. The acquisition, which is not material, will be treated as a pooling-of-interests in 1975 and no effect has been given to the transaction in the 1974 financial statements.

During 1973, the Company acquired a domestic company whose principal assets were licenses to manufacture a specialty plastic, polybutylene. The Company issued 90,000 shares of its Common Stock in the acquisition and is obligated to issue a maximum of an additional 90,000 shares to be determined under a future earnings formula provided for by the agreement.

The Company, in 1973, also issued 14,000 shares of its Common Stock to acquire the minority interest in a foreign subsidiary.

Additionally, in 1973, the Company acquired for cash a domestic manufacturing plant and the business and assets of an English manufacturer.

The 1973 acquisitions were included in consolidation from dates of acquisition and were recorded as follows:

Fixed assets	\$3,901,000
Licenses	3,308,000
Intangibles applicable to businesses acquired	194,000
Working capital and other	<u>831,000</u>
Total cost of purchased businesses (including amount applicable to Common Stock issued)	<u>\$8,234,000</u>

Net sales and net income of the businesses acquired in 1973 were not material.

Shareholders' Equity

Each share of the \$2.65 Cumulative Convertible Preferred Stock, par value \$1, is entitled to one vote, is subject to redemption at the Company's option at \$66 per share, has a minimum liquidating preference of \$66 and is convertible into 2.49 shares of the Company's Common Stock.

There were no transactions in the Company's Common Stock in 1974. Transactions in 1973 were as follows:

	<u>Number of Shares</u>
Issued at January 1, 1973	5,189,679
Issued for company purchased and for minority interest in a foreign subsidiary	104,000
Conversion of 269 shares of Preferred Stock	668
Issued on exercise of options	<u>733</u>
Issued at December 31, 1973	<u>5,295,080</u>
Issued at December 31, 1974	<u>5,295,080</u>

During 1973, the Company acquired 200,000 shares of its Common Stock as Treasury shares. These shares are reserved for stock options and conversions of its Preferred Stock and Convertible Subordinated Debentures. In 1974, 3,575 and 488 (1973) Treasury shares were issued upon exercise of stock options, and 42,576 (1974) and 77,192 (1973) Treasury shares were issued upon conversion of 17,103 (1974) and 31,002 (1973) shares of Preferred Stock. As at December 31, 1974, 76,169 shares remained in the Treasury.

As at December 31, 1974, Common Stock held in Treasury and unissued Common Stock of the Company are reserved for issuance in accordance with the terms of the 4½% Convertible Subordinated Debentures (300,000 shares), the \$2.65 Cumulative Convertible Preferred Stock (561,971 shares), stock option plans (265,280 shares) and in connection with a purchased company (90,000 shares). Additionally 150,195 shares of unissued Common Stock are reserved in connection with the offer to acquire a company in early 1975.

Stock Options

Stock option transactions were as follows:

	<u>1974</u>	<u>1973</u>
Outstanding at beginning of year ...	109,350	148,654
Exercised	(3,575)	(1,221)
Cancelled (of which 2,750 and 37,950 are reissuable)	(31,950)	(38,083)
Outstanding at end of year	<u>73,825</u>	<u>109,350</u>
Exercisable at end of year	<u>45,665</u>	<u>64,260</u>

As at December 31, 1974, stock option prices range from \$16.25 to \$24.63 per share.

Litigation

In April 1972, the Company acquired, for a cash payment of \$4,750,000, Retzloff Chemical Company of Houston, Texas, a manufacturer of specialty chemicals serving the agricultural, crude oil, textile and certain other industries. In August 1972, the Company received a letter of inquiry from the Department of Justice covering questions relating to this acquisition under the anti-trust laws. Subsequently, additional information requested by the Department of Justice was provided by the Company. The Company is unable to predict the outcome of this inquiry but does not believe it will have a material adverse effect on its business.

The Company is a party to various other legal proceedings incident to the conduct of its business in the normal course. In the opinion of General Counsel to the Company, there would be no material adverse effect upon the financial condition or business of Witco should it fail to prevail in any of these proceedings.

The Company is not a party to any administrative enforcement proceedings or litigation under state, federal, or local environmental control laws, which it deems to be of a material nature.

Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiaries. Material intercompany items and transactions are eliminated in consolidation. Minority interests in net assets and net income of subsidiaries are not material.

Foreign Currency Translation

Current assets and current liabilities of foreign subsidiaries are translated into United States dollars at the rate of exchange in effect at the close of the year. Long-term assets are translated at the rates in effect at the dates these assets were acquired, and long-term liabilities are translated at the rates in effect at the dates these obligations were incurred. Revenue and expense accounts are translated at the average rates of exchange in effect during the year except for depreciation and amortization which are translated at the rates of exchange which were in effect when the respective assets were acquired. Exchange adjustments (not material) are included in operations. Translation of long-term receivables and payables at current rates would not have a material effect on the financial statements.

Inventories

Inventories are principally stated at cost on the Last-In, First-Out basis (LIFO) which is not in excess of market. The balance of the inventories are stated at the lower of cost or market; cost substantially on the First-In, First-Out basis (FIFO).

Investments in Associated and Other Companies

Investments in associated companies (except for PASA) are stated at cost, adjusted for equity in earnings or losses and dividends. Sales and costs of these associated companies are not included in the consolidated statements of income; however, the Company's equity in the earnings of these companies is shown as a separate item in these statements. Appropriate provision is made for Federal income taxes applicable to such earnings. Investments in PASA and other companies are carried at cost and the Company's consolidated net income includes only dividends and/or interest received from such companies.

The Company's equity in the aggregate shareholders' equity of the associated and other companies exceeds its investments in these companies.

Property, Plant and Equipment

Expenditures for major renewals and improvements of fixed assets and development costs of productive wells are capitalized. Expenditures for maintenance and repairs are charged to income as incurred. Development costs and applicable leasehold costs of wells proven to be non-productive are charged currently to income. At the time fixed assets are disposed of, it is the policy of the Company to reduce the appropriate asset accounts and the related accumulated depreciation, depletion and amortization accounts, with any gain or loss on disposal credited or charged to income.

Depreciation and amortization are provided for principally by the straight-line method, based on the estimated useful lives of the depreciable assets and the terms of the related leases. Depletion of oil and gas properties is computed by the unit-of-production method on an individual lease basis, based upon recoverable quantities of oil and gas as estimated by the Company. Depletion is additionally provided in an amount equal to the tax benefit that results from the deduction for tax purposes of the capitalized intangible development costs in the periods incurred.

Patents and Licenses

Patents and licenses are being amortized over their estimated useful lives, which range from 4 to 17 years.

Intangibles Applicable to Companies Acquired

Intangibles applicable to companies acquired prior to November, 1970 are not being amortized. The intangibles applicable to companies acquired since that date are being amortized over forty-year periods.

Deferred Credits

Deferred credits consist principally of deferred Federal and foreign income taxes which result primarily from differences in depreciation methods used for financial reporting and tax purposes, and investment tax credits which are being amortized over the estimated useful lives of the related fixed assets.

Pension Plans

The Company has several pension plans covering substantially all of its employees. The Company's policy is to fund these plans based on appropriate actuarial methods. Pension costs are based on such actuarial

Accountants' Report

methods and have been adjusted to minimize variations due to actuarial gains and losses. Past service costs for the plans are amortized over 10 years.

Research and Development

Research and development expenditures are charged to operations as incurred.

Net Income Per Common Share

The computation of net income per common share is based upon the weighted average number of common shares outstanding during each year, and after recognition of the dividend requirements on the Preferred Stock. Stock options, which are common stock equivalents, are omitted from this computation since their inclusion would not have a material dilutive effect on the per share amount.

The computation of fully diluted net income per common share assumes conversion of the outstanding Cumulative Convertible Preferred Stock and Convertible Subordinated Debentures (neither of which security is a common stock equivalent), the elimination of the related dividend and interest requirements (net of tax effect) and the exercise of those stock options that would have a dilutive effect on such per share amount.

To the Board of Directors
Witco Chemical Corporation
New York, N. Y.

We have examined the consolidated balance sheets of Witco Chemical Corporation and subsidiary companies as at December 31, 1974 and 1973, and the related consolidated statements of income, retained earnings, capital surplus and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-mentioned financial statements present fairly the consolidated financial position of Witco Chemical Corporation and subsidiary companies at December 31, 1974 and 1973, and the consolidated results of their operations and the consolidated changes in their financial position for the years then ended, in conformity with generally accepted accounting principles which, except for the change, with which we concur, in the method of inventory valuation as discussed in the "Financial Review," have been applied on a consistent basis.

S. D. LEIDESDORF & CO.

New York, N. Y.
February 12, 1975

Consolidated Balance Sheets

Witco Chemical Corporation and Subsidiary Companies

	At December 31	
	1974	1973
ASSETS		
CURRENT ASSETS:		
Cash	\$ 9,269,000	\$ 7,460,000
Municipal and other securities—at amortized cost which approximates market	5,332,000	10,734,000
Accounts and notes receivable, less reserve of \$1,007,000 and \$864,000	68,981,000	57,352,000
Inventories	67,844,000	47,394,000
Prepaid expenses	3,356,000	2,581,000
TOTAL CURRENT ASSETS	154,782,000	125,521,000
INVESTMENTS IN ASSOCIATED AND OTHER COMPANIES	12,691,000	12,221,000
PROPERTY, PLANT AND EQUIPMENT—at cost, less accumulated depreciation, depletion and amortization	119,286,000	98,027,000
PATENTS AND LICENSES—at cost, less amortization of \$2,794,000 and \$2,296,000	4,122,000	4,520,000
INTANGIBLES APPLICABLE TO COMPANIES ACQUIRED, less amortization of \$553,000 and \$425,000	13,203,000	13,118,000
DEFERRED COSTS AND OTHER ASSETS	6,586,000	5,140,000
	<u>\$310,670,000</u>	<u>\$258,547,000</u>
LIABILITIES		
CURRENT LIABILITIES:		
Notes and loans payable, including current portion of long-term debt	\$ 10,493,000	\$ 7,235,000
Accounts payable and other liabilities	60,677,000	45,744,000
Dividends payable	1,715,000	1,506,000
Federal and foreign income taxes	7,491,000	6,178,000
TOTAL CURRENT LIABILITIES	80,376,000	60,663,000
LONG-TERM DEBT	74,669,000	63,697,000
TOTAL LIABILITIES	155,045,000	124,360,000
DEFERRED CREDITS	16,105,000	11,775,000
SHAREHOLDERS' EQUITY:		
\$2.65 Cumulative Convertible Preferred Stock, par value \$1 (minimum liquidating preference \$14,896,000 and \$16,024,000 on outstanding shares):		
Authorized—338,655 shares		
Issued and outstanding—225,691 shares and 242,794 shares	226,000	243,000
Common Stock, par value \$5 per share:		
Authorized—10,000,000 shares		
Issued—5,295,080 shares in each year	26,475,000	26,475,000
Capital Surplus	3,955,000	4,094,000
Retained Earnings	110,479,000	94,194,000
	141,135,000	125,006,000
Less: Common Stock in Treasury—76,169 shares and 122,320 shares—at cost	1,615,000	2,594,000
	<u>139,520,000</u>	<u>122,412,000</u>
Contingency—Investment in Argentine Company	<u>\$310,670,000</u>	<u>\$258,547,000</u>

The Financial Review and the Summary of Significant Accounting Policies on pages 12 through 18 should be read in conjunction with the financial statements.

Consolidated Statements of Retained Earnings

Witco Chemical Corporation and Subsidiary Companies

	For the Years Ended December 31	
	1974	1973
Balance at beginning of year	\$ 94,194,000	\$ 83,165,000
Net income	23,694,000	16,858,000
	<u>117,888,000</u>	<u>100,023,000</u>
Dividends declared:		
\$2.65 Cumulative Convertible Preferred Stock	615,000	685,000
Common Stock (\$1.16 per share and \$.99 ¹ / ₂ per share)	6,035,000	5,144,000
Portion of excess of cost of treasury shares issued over the par value of the Preferred Stock converted and the amount charged to Capital Surplus	759,000	—
	<u>7,409,000</u>	<u>5,829,000</u>
Balance at end of year	<u>\$110,479,000</u>	<u>\$ 94,194,000</u>

Consolidated Statements of Capital Surplus

Witco Chemical Corporation and Subsidiary Companies

	For the Years Ended December 31	
	1974	1973
Balance at beginning of year	\$4,094,000	\$3,725,000
Excess of fair market value over par value of Common Stock issued on acquisitions of a company and the minority interest in a foreign subsidiary	—	1,976,000
Excess of amounts received over par value of shares of Common Stock issued on exercise of stock options	—	5,000
	<u>4,094,000</u>	<u>5,706,000</u>
Excess of par value of shares of Common Stock issued upon conversion over par value of shares of Preferred Stock converted	—	3,000
Excess of cost of treasury shares issued over the par value of the Preferred Stock converted in 1973, and in 1974 the portion thereof equal to the pro rata contribution to Capital Surplus which arose on issuance of the Preferred Stock	126,000	1,606,000
Excess of cost of Treasury shares issued over proceeds received on exercise of Common Stock options	13,000	3,000
	<u>139,000</u>	<u>1,612,000</u>
Balance at end of year	<u>\$3,955,000</u>	<u>\$4,094,000</u>

The Financial Review and the Summary of Significant Accounting Policies on pages 12 through 18 should be read in conjunction with these financial statements.

Consolidated Statements of Changes in Financial Position

Witco Chemical Corporation and Subsidiary Companies

	For the Years Ended December 31	
	1974	1973
Sources of Working Capital:		
Income before extraordinary credit	\$ 23,694,000	\$ 16,456,000
Depreciation, depletion and amortization	12,431,000	12,047,000
Other items not affecting working capital—including undistributed portion of equity in earnings of associated companies	2,632,000	1,559,000
Extraordinary credit excluding deferred Federal income taxes	—	745,000
Working capital provided from operations	38,757,000	30,807,000
Additional long-term debt	12,831,000	10,200,000
Issuance of Common Stock in acquisitions of a company and the minority interest in a foreign subsidiary	—	2,496,000
Reduction in investments in associated and other companies—net	370,000	596,000
Net book value of property, plant and equipment dispositions	998,000	287,000
Exercise of employee stock options	63,000	17,000
Funds from bond trustee for construction	883,000	—
	<u>\$ 53,902,000</u>	<u>\$ 44,403,000</u>
Uses of Working Capital:		
Property, plant and equipment expenditures	\$ 27,625,000	\$ 27,797,000
Funds deposited with bond trustee for construction	7,250,000	—
Dividends to shareholders	6,650,000	5,829,000
Purchase of Treasury Stock	—	4,242,000
Reductions in long-term debt	1,859,000	4,075,000
Increases in patents and intangible assets	313,000	3,513,000
Other—net	657,000	1,374,000
Increase (decrease) in working capital	9,548,000	(2,427,000)
	<u>\$ 53,902,000</u>	<u>\$ 44,403,000</u>
Increase (Decrease) in Working Capital, by Element:		
Cash, municipal and other securities	\$ (3,593,000)	\$ (11,511,000)
Accounts and notes receivable	11,629,000	11,547,000
Inventories	20,450,000	9,308,000
Notes and loans payable	(3,258,000)	(1,307,000)
Accounts payable and other liabilities	(14,933,000)	(8,050,000)
Federal and foreign income taxes	(1,313,000)	(2,562,000)
Other—net	566,000	148,000
Increase (Decrease) in Working Capital	9,548,000	(2,427,000)
Working Capital at beginning of year	64,858,000	67,285,000
Working Capital at end of year	<u>\$ 74,406,000</u>	<u>\$ 64,858,000</u>
Exclusive of conversion of Preferred Stock into Common Stock.		

The Financial Review and the Summary of Significant Accounting Policies on pages 12 through 18 should be read in conjunction with the financial statements.

Ten Year Statistical Summary

Witco Chemical Corporation and Subsidiary Companies

Years Ended December 31

(Dollars in Thousands, Except Per Share Data)

	1974(A)	1973	1972
Summary of Operations			
Net sales	\$556,792	\$370,703	\$293,517
Other income—net	4,965	3,354	3,316
Total net sales and other income	561,757	374,057	296,833
Costs of goods sold	453,039	290,295	229,126
Selling and administrative expenses	46,464	38,079	32,385
Depreciation, depletion and amortization	12,431	12,047	10,303
Interest expense	6,337	4,309	2,735
Total costs and expenses	518,271	344,730	274,549
Income before Federal and foreign income taxes and extraordinary items	43,486	29,327	22,284
Federal and foreign income taxes	19,792	12,871	9,637
Income before extraordinary items	23,694	16,456	12,647
As per cent of net sales	4.3%	4.4%	4.3%
Extraordinary credit (charge)	—	402	(824)
Net income	\$ 23,694	\$ 16,858	\$ 11,823
Net income applicable to Common Stock, after dividend requirements of Convertible Preferred Stock	\$ 23,079	\$ 16,173	\$ 11,081
Dividends declared	6,650	5,829	5,557
As per cent of net income	28.1%	34.6%	47.0%
Per common share	\$1.16	\$.99 ^{1/2}	\$.93 ^{1/2}
Financial			
Total current assets	\$154,782	\$125,521	\$115,970
Total current liabilities	80,376	60,663	48,685
Working capital	74,406	64,858	67,285
Ratio of current assets to current liabilities	1.93 to 1	2.07 to 1	2.38 to 1
Property, plant and equipment expenditures	27,625	27,797	15,762
Property, plant and equipment—net	119,286	98,027	81,913
Long-term debt	74,669	63,697	57,572
Total shareholders' equity	139,520	122,412	113,112
Shareholders			
Shares outstanding—at year end—Common	5,218,911	5,172,760	5,189,679
Shares outstanding—at year end—Preferred	225,691	242,794	274,065
Number of shareholders—at year end	6,768	6,630	6,300
Per Common Share:			
Income before extraordinary items	\$4.44	\$3.05	\$2.30
Extraordinary credit (charge)	—	\$.08	\$ (.16)
Net income	\$4.44	\$3.13	\$2.14
Shares used in this computation(B)	5,195,387	5,166,632	5,174,191
Per Common Share—assuming full dilution:			
Income before extraordinary items	\$3.95	\$2.75	\$2.10
Extraordinary credit (charge)	—	\$.07	\$ (.13)
Net income	\$3.95	\$2.82	\$1.97
Shares used in this computation(B)	6,082,567	6,111,416	6,184,818
Dividends paid during calendar year per share—Common	\$1.12	\$.98	\$.92
Dividends paid during calendar year per share—Preferred	\$2.65	\$2.65	\$2.65
Market price, to the nearest dollar, per common share on New York Stock Exchange (high—low)	\$29-17	\$25-15	\$30-21

(A) A change to LIFO method of inventory valuation in 1974 for substantially all domestic inventories not previously valued on a LIFO basis decreased 1974 net income approximately \$7,900,000 or \$1.52 per Common Share (\$1.30 per Common Share—assuming full dilution).

(B) See "Summary of Significant Accounting Policies—Net Income per Common Share."

1971	1970	1969	1968	1967	1966	1965
\$259,077	\$237,219	\$236,624	\$228,161	\$204,936	\$200,215	\$179,660
2,855	2,940	4,469	3,169	2,087	1,176	1,725
261,932	240,159	241,093	231,330	207,023	201,391	181,385
204,957	185,712	187,700	179,390	161,354	155,960	140,825
27,262	25,606	25,190	21,570	19,807	19,223	18,625
9,502	8,328	7,805	7,725	6,580	6,021	4,965
2,275	2,436	2,167	1,542	1,382	1,524	1,085
243,996	222,082	222,862	210,227	189,123	182,728	165,500
17,936	18,077	18,231	21,103	17,900	18,663	15,885
7,489	7,793	7,866	9,870	7,674	8,760	7,077
10,447	10,284	10,365	11,233	10,226	9,903	8,808
4.0%	4.3%	4.4%	4.9%	5.0%	4.9%	4.9%
359	527	(1,450)	557	—	—	—
\$ 10,806	\$ 10,811	\$ 8,915	\$ 11,790	\$ 10,226	\$ 9,903	\$ 8,808
\$ 10,040	\$ 10,026	\$ 8,113	\$ 10,909	\$ 9,328	\$ 8,966	\$ 7,760
5,463	5,408	5,361	4,998	4,568	4,371	3,361
50.6%	50.0%	60.1%	42.4%	44.7%	44.1%	38.2%
\$.92	\$.92	\$.92	\$.89	\$.80	\$.77	\$.67
\$ 86,646	\$ 80,927	\$ 76,922	\$ 82,244	\$ 62,089	\$ 64,359	\$ 65,190
33,293	39,097	35,928	37,669	30,512	32,714	24,913
53,353	41,830	40,994	44,575	31,577	31,645	40,277
2.60 to 1	2.07 to 1	2.14 to 1	2.18 to 1	2.03 to 1	1.97 to 1	2.62 to 1
16,023	12,747	17,992	15,092	10,068	16,610	8,156
77,166	71,893	67,724	60,240	54,648	51,275	41,823
41,778	32,887	32,801	31,560	18,390	20,328	19,331
106,313	100,328	94,740	89,955	82,575	76,691	72,951
5,133,838	5,075,081	4,920,380	4,795,266	4,723,401	4,707,768	4,620,734
285,915	294,648	299,934	326,082	338,655	338,695	395,355
6,700	7,000	6,500	6,620	6,350	5,990	3,863
\$1.90	\$1.88	\$1.96	\$2.18	\$1.98	\$1.92	\$1.68
\$.07	\$.11	\$ (.30)	\$.11	—	—	—
\$1.97	\$1.99	\$1.66	\$2.29	\$1.98	\$1.92	\$1.68
5,100,236	5,031,204	4,888,502	4,756,809	4,715,381	4,677,285	4,620,305
\$1.76	\$1.74	\$1.78	\$1.98	\$1.83	\$1.78	\$1.56
\$.06	\$.09	\$ (.24)	\$.10	—	—	—
\$1.82	\$1.83	\$1.54	\$2.08	\$1.83	\$1.78	\$1.56
6,145,676	6,079,652	5,988,327	5,682,255	5,600,760	5,573,213	5,641,446
\$.92	\$.92	\$.92	\$.86	\$.80	\$.73	\$.67
\$2.65	\$2.65	\$2.65	\$2.65	\$2.65	\$1.40	—
\$32-23	\$25-14	\$44-20	\$44-22	\$26-18	\$25-18	\$25-19

Directors

***William Wishnick**

Chairman, President and
Chief Executive Officer,
Witco Chemical

***Robert I. Wishnick**

Chairman, Executive Committee,
Witco Chemical

***William J. Ashe**

Executive Vice President—
Finance and Administration,
Treasurer,
Chairman, Finance Committee,
Witco Chemical

****Sidney Goldin**

Petroleum Consultant, Witco Chemical,
Formerly Vice President and Director—
Asiatic Petroleum Corporation

***William R. Grant**

President—Smith, Barney & Co.,
Incorporated
Investment Bankers, New York, New York

****Stanley A. Kaplan**

Professor of Law,
University of Chicago Law School;
Attorney at Law,
Counsel to Gottlieb & Schwartz,
Chicago, Illinois

****Paul V. Keyser, Jr.**

Consultant, Witco Chemical,
Formerly Executive Vice President
and Director—
Mobil Oil Corporation

***William E. Leistner**

Senior Executive Vice President
and Chief Operating Officer—
Chemicals Group, Witco Chemical

***Gustave L. Levy**

Senior Partner—Goldman, Sachs & Co.,
Investment Bankers, New York, New York

Samuel Rothberg

President—Israel Investors Corporation;
Formerly Director—American Distilling
Company

***Henry Sonneborn III**

Executive Vice President
and Chief Operating Officer—
Petroleum Group, Witco Chemical

Charles H. Tally

Attorney at Law,
Senior Partner—Bachner, Tally & Mantell,
General Counsel to Witco Chemical

John H. Wishnick

President—Roaring 20 Autos, Inc.
Wall, New Jersey

*Member of Executive Committee

**Member of Audit Committee

Corporate Officers

William Wishnick

Chairman, President and
Chief Executive Officer

Robert I. Wishnick

Chairman, Executive Committee

William E. Leistner

Senior Executive Vice President
and Chief Operating Officer—
Chemicals Group

Henry Sonneborn III

Executive Vice President
and Chief Operating Officer—
Petroleum Group

William J. Ashe

Executive Vice President—
Finance and Administration,
Treasurer,
Chairman, Finance Committee

Paul Saltzer

Secretary

Earl L. Hogard, Jr.

Controller

George F. Polzer, Jr.

Group Vice President
Commercial Services

Howard S. Bryant

Vice President
Engineering

George W. MacFarlane

Vice President
Industrial Relations

Charles A. Polachi

Vice President
Investor Relations

Petroleum Group

GROUP VICE PRESIDENTS:

J. Lawson Kennedy

Henry L. Levkoff

**VICE PRESIDENTS—
GENERAL MANAGERS:**

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Golden Bear Division

J. Lawson Kennedy

Sonneborn Division

Micheal D. MacBurney

Pioneer Division

Raymond D. Saunders

Kendall/Amalie Division

VICE PRESIDENTS:

G. Harold Osborne

Special Projects
Kendall/Amalie Division

Stanley C. Trimble

Administration
Kendall/Amalie Division

Chemicals Group

SENIOR GROUP VICE PRESIDENT:

William E. Setzler

GROUP VICE PRESIDENTS:

Carlo Giraudi

Robert E. Morie

Leonard R. Wood

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GENERAL MANAGERS:**

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Metal Treating Chemicals
Division

Alio J. Buselli

Polymer Division

Seymour Cohen

Argus Chemical Corporation

James E. Cunningham

President, Witco Chemical
Canada Limited

John G. Keffer

Isocyanate Products Division

Howard R. Leistner

U.S. Peroxygen Division,
Argus Chemical Corporation

Robert E. Morie

International Division

Norman F. Ottley

Inorganic Specialties Division

Jack R. Rissman

Ultra Division

Edward A. Vistica

Witfield Division

Edward F. Wagner

Organics Division

VICE PRESIDENTS:

Harry Brubaker

Executive Manager
Rubber Industry

Gerald Katz

Assistant General Manager
Polymer Division

Kenneth P. Satterly

Urethane Marketing and
Development

Management of Witco's Foreign Manufacturing Subsidiaries

	% of Ownership
P. Kok Managing Director Witco Chemical S.A., N. V. (Belgium)	100%
J. E. Cunningham President Witco Chemical Canada Limited (Canada)	100%
J. E. Cunningham President Savon-Majestic Ltée. (Canada)	100%
J. A. Jewel Managing Director Witco Chemical Limited (England)	100%
A. Taylor Managing Director Baxenden Chemical Co., Ltd. (England)	53 1/2%
J. Leveuf President and Director General Witco Chemical S. A. (France)	100%
Y. Lublini Managing Director Witco Chemical Ltd. (Israel)	60%
W. Weber President and Director Argus Quimica Mexicana S.A. de C.V. (Mexico)	100%
C. N. Kaper J. A. van Leeuwen Managing Co-Directors Witco Chemical B.V. (the Netherlands)	100%
C. N. Kaper J. A. van Leeuwen Managing Co-Directors Jonk B. V. (the Netherlands)	100%

Manufacturing Locations

UNITED STATES

WHOLLY-OWNED

Alabama
LeMoyné

California
Carson
Los Angeles
Lynwood
Oildale
Richmond (2)

Delaware
New Castle (2)

Illinois
Chicago (2)
Lawrenceville

Indiana
Hammond

Louisiana
Gretna
Taft

New Jersey
Paterson
Perth Amboy

New York
Brooklyn

Ohio
Cleveland

Oregon
Klamath Falls

Pennsylvania
Bradford
Petrolia
Trainer

Texas
Dallas
Houston
Marshall
Point Comfort

Washington
Quincy

JOINTLY-OWNED

Alabama
Phenix City

California
Bakersfield

Louisiana
Westlake

Oklahoma
Ponca City

Texas
Sunray

FOREIGN

WHOLLY-OWNED

Belgium
Lembeek (Halle)

Canada
Brantford
Montreal
Oakville
Toronto

England
Droitwich
Dronfield
London

France
Rouen

Mexico
Cuautitlan

the Netherlands
Amsterdam
Haarlem
Koog Aan De Zaan

JOINTLY-OWNED

Argentina
San Lorenzo

Australia
Sydney

Belgium
Drogenbos

Brazil
São Paulo

England
Accrington

France
Bordeaux

India
Bombay

Israel
Haifa

Italy
Rho
Trecate

Japan
Mie (2)
Tokyo

Korea
Seoul

the Netherlands
Rotterdam

Scotland
Grangemouth

Spain
Algeciras
Madrid

Research and Applications Laboratories

UNITED STATES

California
Oildale
Richmond

Delaware
New Castle (2)

Illinois
Chicago (2)

Louisiana
Gretna

New Jersey
Fairfield
Oakland
Paterson
Perth Amboy

New York
Brooklyn

Pennsylvania
Bradford
Petrolia
Trainer

Texas
Houston
Point Comfort

FOREIGN

Belgium
Lembeek (Halle)

Canada
Brantford
Montreal
Oakville

England
Accrington*
Droitwich
Dronfield
London

France
Rouen

Israel
Haifa*

Mexico
Cuautitlan

the Netherlands
Haarlem
Koog Aan De Zaan

*Jointly-owned

**Witco serves its markets with these
typical products:**

Amalie® Motor Oil, Detergents, Gasoline,
Kendall® Motor Oil, Private Label Lubes, Lubricants,
Cross-Linking Agents, Fillers, Mold Release Agents,
Organic Peroxides, Petrolatums, Plasticizers,
Polybutylene, Process Oils, Stabilizers, Stearates,
Sulfur-Derived Chemicals, Surfactants, Urethane
Chemicals, Waxes, White Oils,
Anti-Oxidants, Emulsifiers, Extender Oils, Blending
Stocks, Bulk Lubricants, Natural and Synthetic
Petroleum Sulfonates, Asphalts, Dust Control Agents,
Road Oils, Urethane Systems, Wood Treating Oils,
Anti-Caking Agents, Detergent Alkylates,
Hydrotropes, Diatomaceous Earth, Dye Assists,
Defoamers, Waxes, Larvicides, Spray Oils, Cleaners,
Coolants, Corrosion Inhibitors, Degreasers,
Electrode Binder Pitch, Forming Compounds, Rust
Preventatives, Diesel Fuel, Fuel Oil,
Kerosene, Activated Carbon, Chemical Intermediates,
Driers, Ink Oils, Lacquer Bases, Anti-Static Agents,
Mildewcides, Undercoatings

**Witco
Chemical**

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